

## Message Text

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TO USMISSION SINAI  
INFO AMEMBASSY KUWAIT  
AMEMBASSY LONDON  
AMEMBASSY MOSCOW  
AMEMBASSY SANA

S E C R E T STATE 176039

E.O. 11652: XGDS-2

TAGS: EG, IS, PINR

SUBJECT: INTSUM 367 - JULY 27, 1977

MOSCOW, KUWAIT, SANA FOR AMBASSADORS

LONDON FOR KINSOLVING

WARNING NOTICE SENSITIVE SOURCES AND METHODS INVOLVED  
NOT RELEASABLE TO FOREIGN NATIONALS--NOT RELEASABLE TO  
CONTRACTORS OR CONTRACTOR/CONSULTANTS

1. ISRAEL. THE THREE WEST BANK SETTLEMENTS OFFICIALLY  
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RECOGNIZED YESTERDAY BY THE ISRAELI GOVERNMENT WERE SET

UP SOME TIME AGO BY THE ULTRA-CONSERVATIVE GUSH EMUNIM  
ORGANIZATION. THE GOVERNMENT TODAY REPORTEDLY WILL  
ANNOUNCE THE ESTABLISHMENT OF THE OTHER SETTLEMENTS IN  
THE NORTHEAST SINAI THAT IT SAYS WERE PLANNED BY THE  
LABOR GOVERNMENT. ARAB LEADERS ARE CERTAIN TO INTERPRET  
THE GOVERNMENT'S ACTIONS, COMING ONLY DAYS AFTER  
PRIME MINISTER BEGIN'S RETURN FROM THE US, AS EVIDENCE  
THAT ISRAEL WILL NOT BARGAIN IN GOOD FAITH IN FUTURE

MIDDLE EAST PEACE NEGOTIATIONS.

2. THE TWO SETTLEMENTS IN THE SINAI ARE LOCATED JUST SOUTH OF THE GAZA STRIP, IN THE SO-CALLED RAFAH APPROACHES. THE WEST BANK SETTLEMENTS ARE ALL LOCATED IN THE NORTHERN SAMARIA DISTRICT NEAR HEAVILY ARAB-POPULATED AREAS. THE FORMER LABOR CABINET HAD UNOFFICIALLY TOLERATED TWO OF THE WEST BANK SETTLEMENTS, LOCATED NEAR RAM ALLAH AND JERICHO, BUT REGARDED THE GUSH SITE NEAR NABLUS AS ILLEGAL. LABOR GENERALLY RESTRICTED SETTLEMENTS ON THE WEST BANK TO SUCH STRATEGICALLY IMPORTANT, SPARSELY INHABITED REGIONS AS THE JORDAN VALLEY.

3. BY APPROVING WHAT HAD BEEN ALLOWED BY HIS LABOR PREDECESSORS RATHER THAN ESTABLISHING NEW SETTLEMENTS, BEGIN PROBABLY HOPES TO DEFLECT US AND INTERNATIONAL PROTESTS AND AT THE SAME TIME SATISFY HIS OWN CONSERVATIVE SUPPORTERS, WHO EXPECT HIM TO ENCOURAGE SETTLEMENT ACTIVITY.

4. THE ARABS, HOWEVER, WILL SEE THE GOVERNMENT'S APPROVAL OF THE WEST BANK SITES, IN PARTICULAR, AS THE NATURAL CONSEQUENCE OF BEGIN'S INSISTENCE THAT THE  
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WEST BANK IS AN INTEGRAL PART OF ISRAEL.

5. SIMILARLY, PALESTINIAN RESIDENTS OF THE WEST BANK WILL REGARD THE GOVERNMENT'S APPROVAL AS ONLY THE FIRST STEP TOWARD ESTABLISHING OTHER JEWISH SETTLEMENTS IN THE TERRITORY. ADDITIONAL SETTLEMENTS NEAR ARAB POPULATION CENTERS WOULD BE LIKELY TO PROVOKE ANTI-GOVERNMENT PROTEST AND DEMONSTRATIONS, POSSIBLY VIOLENT, BY WEST BANK MILITANTS.

6. THE REACTION IN ISRAEL TO THE GOVERNMENT'S ACTIONS IS LIKELY TO BE MIXED. LABOR, THE DEMOCRATIC MOVEMENT FOR CHANGE, AND OTHER MODERATE GROUPS IN THE OPPOSITION PROBABLY WILL PROTEST THE GOVERNMENT'S APPROVAL OF THE WEST BANK SETTLEMENTS AND ARGUE THAT THE TIMING OF THE DECISION WILL AGGRAVATE RELATIONS WITH THE US. DEMOCRATIC MOVEMENT LEADERS OPPOSED TO JOINING BEGIN'S CABINET WILL NOW PROBABLY SEIZE ON THE GOVERNMENT'S DECISION TO BUTTRESS THEIR CASE.

7. HARDLINERS IN LIKUD, THE HAWKISH NATIONAL RELIGIOUS PARTY, AND THE ULTRA-CONSERVATIVE GUSH EMUNIM, ON THE OTHER HAND, WILL APPLAUD THE GOVERNMENT'S MEASURES. GUSH LEADERS IN PARTICULAR WILL REGARD APPROVAL OF THE WEST BANK SITES AS ENDORSEMENT OF THEIR LONG-STANDING DEMAND THAT JEWS BE ALLOWED TO SETTLE ANYWHERE THEY WANT ON THE WEST BANK.

8. THE GUSH REPORTEDLY HAS BEEN PLANNING FOR SOME TIME TO ESTABLISH A NUMBER OF NEW SETTLEMENTS IN THE WEST BANK, PARTICULARLY IN THE NORTH. A GUSH SPOKESMAN STATED YESTERDAY THAT HIS ORGANIZATION INTENDED TO SET UP AS MANY AS 10 NEW SETTLEMENTS DURING THE NEXT YEAR. (CONFIDENTIAL)

9. EGYPT. EMBASSY CAIRO HAS OBSERVED THAT, ALTHOUGH  
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THE EGYPTIAN GOVERNMENT IS ADHERING TO ITS DECISION NOT TO RESPOND TO BEGIN'S PROPOSALS, THERE ARE SIGNS OF PESSIMISM SHOWING UP IN THE PRIVATE COMMENTS OF WELL-INFORMED OFFICIALS. THEY ARE PARTICULARLY DISMAYED BY BEGIN'S ADAMANT REFUSAL TO ACCEPT ANY FORM OF PLO PARTICIPATION AT GENEVA, HIS POSITION ON THE WEST BANK ISSUE, AND THE ALTERNATIVE PROPOSAL FOR PROXIMITY TALKS. IN THEIR VIEW, THESE FORMULAS OF BEGIN ARE MERELY WAYS TO DRAG OUT THE NEGOTIATING PROCESS AND AVOID ADDRESSING THE REAL ISSUES. REGARDING THE US, ONE OFFICIAL COMMENTED THAT US STATEMENTS ON KEY ISSUES WERE ENCOURAGING, BUT WOULD BE CONSIDERED "POSTURING RATHER THAN POLICY" UNLESS BACKED BY SUBSTANTIVE ACTION TO PRESSURE ISRAEL. (CONFIDENTIAL)

10. EGYPT-LIBYA. THE CEASEFIRE CONTINUES TO HOLD, AS THE MILITARY SITUATION ALONG THE BORDER WAS QUIET AND BOTH SIDES REGROUPED THEIR FORCES YESTERDAY. LIBYA REPORTEDLY IS CONTINUING TO MOBILIZE RESERVISTS, WITH PERHAPS AS MANY AS 7,000 ALREADY BEING RECALLED.

11. A LIBYAN SOURCE WHO IS WELL CONNECTED IN OFFICIAL CIRCLES REPORTS THAT MOST LIBYANS VIEW QADHAFI AS A HERO WHO SCORED AN "UPSET" OVER THE EGYPTIANS. EVEN AMONG BUSINESSMEN, STUDENTS, AND OTHERS WHO HAVE STRONG ANTI-QADHAFI SENTIMENTS, THE INITIAL FEELING THAT QADHAFI HAD PROVOKED THE CONFLICT HAS GIVEN WAY TO PRIDE IN THE FACT THAT LIBYAN FORCES STOOD THEIR GROUND.

12. THE SOURCE ATTRIBUTES THIS PUBLIC SENTIMENT TO THE LIBYAN MEDIA, WHICH HAVE NOT ADMITTED SIGNIFICANT LIBYAN LOSSES AND HAVE PLAYED UP THE THEME OF BLATANT  
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EGYPTIAN AGGRESSION BEING HALTED BY NUMERICALLY INFERIOR BUT DETERMINED LIBYAN FORCES. THE SOURCE, WHO APPARENTLY WAS AWARE THAT LIBYA'S LOSSES WERE GREATER THAN EGYPT'S, FELT THAT QADHAFI COULD RETAIN THIS NEW

POPULARITY, IF HE COULD KEEP THE FACTS OF THE SITUATION FROM BECOMING WIDELY KNOWN FOR AT LEAST A MONTH.

13. OTHER SOURCES TEND TO CONFIRM THAT THE LIBYAN PRESS HAS, IN EFFECT, CREATED A VICTORY FOR QADHAFI THAT MOST LIBYANS SO FAR ARE HAPPY TO ACCEPT. ONE LIBYAN SOURCE, WHO IS CLOSELY ASSOCIATED WITH INDIVIDUALS OPPOSED TO THE CURRENT REGIME, DESCRIBED EGYPT'S MILITARY ADVENTURE AS "STUPID" IN THAT IT HAD NO APPARENT OBJECTIVE AND HAS ACHIEVED NO DECISIVE VICTORY.

14. THE SOURCE FELT THAT THE GOVERNMENT HAD CLEVERLY HANDLED ITS PROPAGANDA CONVINCING MOST LIBYANS THAT THE VAST AMOUNT OF MONEY QADHAFI HAS SPENT ON MILITARY EQUIPMENT--AN ISSUE THAT PREVIOUSLY OUTRAGED MOST LIBYANS-- HAS BEEN A WISE AND NECESSARY INVESTMENT. HE LAMENTED THAT, IF THE FIGHTING HAS INDEED STOPPED, QADHAFI WILL EMERGE THE WINNER AND HAS INCREASED HIS LONGEVITY AS LIBYAN LEADER BY TEN YEARS.

15. WE DOUBT THAT QADHAFI WILL BE ABLE TO KEEP HIS PEOPLE FROM KNOWING THE EXTENT OF LIBYAN LOSSES FOR VERY LONG, ALTHOUGH THE LIBYANS HAVE IGNORED EGYPTIAN ACCOUNTS OF THE SITUATION AND HAVE LITTLE ACCESS TO OTHER INFORMATION SERVICES.

16. CONSULATE ALEXANDRIA REPORTS THAT SADAT GAVE THE FULLEST VERSION YET OF THE EGYPTIAN-LIBYAN FIGHTING IN A JULY 26 SPEECH. ACCORDING TO SADAT, IT BEGAN WHEN PLO LEADER ARAFAT BROUGHT SADAT A MAP PREPARED BY QADHAFI WHICH INDICATED THAT EGYPT WAS OCCUPYING LIBYAN  
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LAND--A STRIP BETWEEN 50 AND 100 METERS WIDE. SADAT CLAIMED THIS WAS A RUSE TO COVERUP OPERATIONS ALREADY PLANNED BY QADHAFI, WHICH BEGAN WITH AN ATTACK O  
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